

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Verizon Massachusetts – Pricing of
Unbundled Network Elements and
Resale Services Discounts

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D.T.E. 01-20

AFFIDAVIT OF CARMELO R. CURBELO

Carmelo R. Curbelo, being duly sworn upon oath, deposes and states as follows:

1. My name is Carmelo R. Curbelo. My business address is 1095 Avenue of the Americas, New York, New York. I am an Executive Director within the Verizon Service Costs organization. As Executive Director, I am responsible for the development of recurring and non-recurring cost studies for various products and services offered by the Verizon operating companies.
2. I have been employed by Verizon, or by its affiliates and predecessor corporations, since 1966. During that time I have held a number of positions, beginning with equipment engineering, and subsequently shifting to finance and operations-related positions. I assumed my current position in 1995. In addition to testifying in numerous proceedings concerning unbundled network element (“UNE”) costs, I supervised the development of Verizon Massachusetts’ (“Verizon MA’s”) recurring and nonrecurring cost studies submitted in D.T.E. 01-20.
3. On July 11, 2002, the Department issued its Order in D.T.E. 01-20 to establish new rates for Verizon MA’s UNEs. In its Order, the Department required Verizon MA to make a

compliance filing within 25 days of the Order's date. This compliance filing requires Verizon MA to submit revised or entirely new cost studies and new rates. The purpose of this Affidavit is to support Verizon MA's request for a 35-day extension for filing this compliance filing and to demonstrate that Verizon MA cannot possibly complete all the work that will be required for this filing in 25 days.

4. Revising each of Verizon MA's recurring, non-recurring, and collocation cost studies to comply with the Department's Order and developing new UNE rates is an enormous undertaking. Before beginning to revise its cost studies, Verizon MA must first carefully review the Order to ensure that it fully understands each of the adjustments ordered by the Department, or to seek reconsideration or clarification from the Department if necessary. Verizon MA must then coordinate a large-scale effort to revise all of its cost studies simultaneously, while ensuring their consistency and accuracy.
5. The sheer number of cost studies that Verizon MA must revise is enormous. Consider the following families of recurring costs: (1) loops; (2) local switching – ports and features; (3) usage; (4) tandem switching; (4) transport; (5) CCS/SS7 and signaling databases; and (6) miscellaneous services such as Dark Fiber, Customized Routing, and AIN Service Creation. Within each family of recurring costs, there are multiple cost studies that have to be revised. For example, the loop family includes the following specific cost studies: (1) 2-wire analog; (2) 2-wire digital; (3) 4-wire analog; (4) 4-wire digital; (5) DS-1 loop; (6) DS-3 loop; (7) 2-wire sub-loop; (8) 4-wire sub-loop; and (9) stand alone NID, just to name a few. Likewise, the switching family includes specific studies for: (1) ports; (2) CENTREX; and ISDN features; and (3) usage. The transport family includes: (1) DS-1 Entrance Facilities; (2) DS-3 Entrance Facilities; and (3)

Dedicated IOF transport, just to name a few. In total, there are more than 50 recurring cost studies comprising over 225 rate elements that must be analyzed and re-run in compliance with the Department's Order.

6. Similarly, within Verizon MA's Non-Recurring cost model, there are over 130 studies that must be revised. Each study in turn develops up to ten (10) non-recurring rate elements (five for the normal interval and five for the expedite interval). In addition, there are nine collocation cost studies comprising over 45 rate elements.
7. Verizon MA must also revise the following charges: expedited non-recurring charges for the service order; provisioning work associated with dedicated transport; cage-to-cage interconnection charges for both normal and expedited intervals; charges for record change; charges for design change; charges for data entry search change; and charges for duplicate bills.
8. To begin revising all of its cost studies, and to ensure consistency, Verizon MA must coordinate each of the different groups of cost analysts responsible for developing the cost studies. These meetings will take significant time so that Verizon MA can verify that all of the inputs for each cost study are consistent with other cost studies and with the Department's Order.
9. Revising the inputs for each cost study is a complex and time consuming process, as the Department made significant and multiple changes to many of Verizon MA's studies. I provide a few examples of the required changes below.
10. Verizon MA was ordered to adjust its non-recurring cost studies in at least eight different ways, and many of these adjustments require the application of newly-developed factors.

11. With regard to the switching cost studies, Verizon MA must review and verify the UDLC/IDLC technology mix that results from the Department's modifications to the unbundled loop cost studies, including the IDLC/UDLC mix and the new copper/fiber breakpoints for the four density zones. Once that percent weighting is determined, Verizon MA must recalculate the equipment required for the GR-303 IDLC line ports using the 4:1 concentration ratio for IDLC ordered by the Department. Once those equipment facilities are quantified, the line counts for each central office in the SCIS model must be manually input to reflect the new percent weighting for UDLC and GR-303 IDLC.
12. Once the revised SCIS model office is rebuilt and the investments are recalculated, Verizon MA's UNE cost study models must be revised to reflect the rate structure ordered by the Department, which assigned "getting started" and EPHC costs to the UNE line port rate. Verizon MA must ensure that the restated investments are assigned to the correct UNE rate elements.
13. With respect to the non-recurring cost studies, the Department ordered Verizon MA to compute 95% confidence intervals around each of the thousands of task times used in the non-recurring cost model. In and of itself, this directive will require a huge amount of resources simply to comply, let alone to review and analyze the results to make sure that they make sense and would be appropriate to incorporate into the required model runs.
14. Once the inputs for each cost study are finalized, Verizon MA will run the actual investment cost studies. Many studies will be run in various iterations, to observe the impact of various inputs and to ensure consistency and accuracy. Running the cost studies is a laborious process in many instances. As mentioned above, Verizon MA's

switching cost studies, for example, require reconstructing each of Verizon MA's central offices. Once the cost studies have been run, Verizon MA's cost analysts must verify their accuracy by examining the inputs and outputs.

15. Many of the changes that the Department required Verizon MA to implement in its cost studies are structural and will involve substantial work aside from adjusting inputs. To provide just one example, the Department ordered Verizon MA to incorporate cross-connect costs in its recurring ACFs rather than through recurring costs, as Verizon MA had previously done.
16. Once the investment cost studies are completely revised, those results will then be passed to the cost analysts responsible for developing annual cost factors ("ACFs"). Those analysts will first develop a new forward-looking to current conversion ("FLC") factor based on the investment levels produced by the cost studies. The FLC factor must then be applied and incorporated into Verizon MA's other ACFs, which in turn are applied to the cost study investment levels. The Department specifically ordered Verizon MA to file new Network, Wholesale Marketing, Other Support, and Common Overhead ACFs, along with their supporting documentation. In addition to this process, the Department ordered Verizon MA to exclude all retail-related expenses from its ACFs, which will require further analysis and calculation. The Department also ordered Verizon MA to project productivity gains through 2004. Once the ACFs are finalized and applied to investment levels, new annual and monthly costs are produced.
17. At this point, Verizon MA's Service Cost and Regulatory departments must review the results. Of course, if Verizon MA finds inconsistencies or inaccuracies, it will rerun the cost studies in question.

18. Once the annual or monthly costs are finalized, Verizon MA will package the cost studies and begin developing new rates. This rate development itself is a complex process. For example, Verizon MA may have to convert density zones and make other adjustments to its present rate structure. Verizon MA will verify that these rates accurately recover the newly-developed monthly and annual costs.
19. Developing a new tariff will also require extensive work, as the Department ordered Verizon MA to make specific modifications to its tariff. For example, Verizon MA is required to reclassify wire centers in its tariff that have moved from one density zone to another. Verizon MA is also required to submit cost results for both three and four density zones, in order for the Commission to determine which should be adopted.
20. This self-evidently enormous effort comes at a time when Verizon's resources are already strained by ongoing UNE proceedings in multiple states. Thus, Verizon MA needs 35 additional days to submit the new cost studies, supporting documentation, rates, and rate analysis to the Department. This time will enable Verizon MA to completely and thoroughly implement the Department's Order and take the necessary steps to ensure the accuracy of its cost studies and the new UNE rates based on those studies.

I hereby swear, under penalty of perjury, that the foregoing is true and correct to the best of my knowledge and belief.

Carmelo R. Curbelo

Sworn to before me this 19th day of July 2002.

Notary Public